68. Using this alternative analysis, the special access rate of return drops by slightly less than 6% for 2001 (and less than 3% for 2000). Nevertheless, the RBOCs still enjoyed rates of return on special access services above 30% which: *by my conventional standard* — and especially during the current economic downturn — is indicative of supracompetitive earnings arising through the RBOCs' exercise of market power. While BellSouth, Qwest and Kahn/Taylor may attempt to muddy the water by raising the "DSL issue," even the "worst case scenario" — where all DSL revenues are included and all DSL costs are excluded — cannot "explain" the persistently excessive rates of return that prevail with respect to special access services.[118]

69. Significantly, while the RBOCs may *claim* that DSL investments and expenses are not being allocated to special access, recent investment trends tend to suggest otherwise. As the following table confirms, between 1996 and 2001, RBOC (including GTE) special access investments grew from $5.7-billion to more than $12.2-billion. By comparison, most other categories of RBOC interstate investment remained largely unchanged over the corresponding time frame, and intrastate investments actually ***decreased*** by nearly $10-billion. Given the rapid growth of DSL and the high capital costs that have been ascribed to its deployment, it is difficult to imagine any other explanation for the more than doubling of special access investment while all other categories remained essentially the same or even decreased, if DSL is *not* included within

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118. In several other proceedings before the Commission, the RBOCs have sought to portray the market for DSL as so highly competitive as to justify regulatory forbearance, if not outright deregulation. See, e.g. *SBC Petition for Expedited Ruling that it is Non-Dominant in its Provision of Advanced Services and for Forbearance from Dominant Carrier Regulation of Those Services,* CC Docket No. 01-337, SBC Petition, October 3, 2001. Their experts have suggested that the highly competitive nature of the "high-speed Internet access market," wherein DSL competes with cable modem services, has placed the RBOCs in a non-dominant position and, in fact, has not even permitted them to recover the costs of providing ADSL services, which are put as high as $86 per month. See, Declaration of Robert W. Crandall and J. Gregory Sidak, filed as Attachment A in the above petition, at 51. It would seem that, in the various "broadband" proceedings, DSL is actually being provided at a loss, whereas in the instant docket DSL is portrayed as being so enormously profitable that it is pushing up special access returns to supracompetitive levels. At the very least, these DSL stories *du jour* demand careful scrutiny.

those special access investments. And, of course, if DSL costs *ore* being included in the **ARMIS** data for special access, then it *is* certainly appropriate to also include corresponding **DSL** revenues, as had been done in the Friedlander declaration filed with AT&T's Petition.[119] Accordingly, the figures provided by AT&T for special access rates of return — which in some cases exceeded 50% — have in no sense been impeached by the **RBOC** experts.

70. *Mismatch between allocation of expenses and revenues for* ***marketing.*** Verizon claims that "marketing expenses are allocated across all access categories, hut that the associated revenues are recovered from common line and special access."[120] This claim is unfounded. Prior to price cap regulation, marketing expenses were allocated to and recovered from all interstate services in proportion to the investments assigned by the Part 69 cost allocation rules. **The** Commission's May 1997 *Access Reform* ***Order*** retained the assignment of marketing costs to special access and interexchange services **that** are marketed to retail customers, but removed marketing from switched access elements (by reducing the price cap indices for the common line. traffic sensitive, and trunking baskets) sold exclusively on a wholesale basis.[121] Neither this change, nor any subsequent Commission action, has diminished the level of marketing expenses recovered from special access rates.[122]

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119. Declaration of Stephen Friedlander on Behalf of AT&T Corp., RM 10593, October 15, 2002.

120. Verixon Comments, at 22.

121. *Access* ***Charge Reform***, First Report and Order, FCC 97-158, released May **16,** 1997, para. 323.

122. **As** another example of a category-specific ARMIS cost-revenue mismatch, Verizon mentions that "amounts collected for universal service recovery are booked as common line revenues, while amounts due to **USAC** [Universal Service Adminislrative Corporation] are recorded in the interexchange category." Verizon Comments at 22, fn. 50. However, neither the costs nor the revenues in question have any impact upon special access and, thus, Verizon's example is completely irrelevant to the matter at hand.

71. ***Pocket switching costs not in special access.*** Qwest claims that packet switching costs incurred to provide certain special access services (Frame Relay, ATM) are assigned to the general switching category, and not to special access.[123] However, Qwest does not quantify the amount ot'costs that it claims are misallocated. Moreover, Qwest neither claims nor makes any effort to establish in its comments that revenues associated with the switching functions used to provide frame relay and ATM services arc not also being reflected in one of the several different switching *revenue* accounts identified in Part 32. Put simply, Qwest has railed to demonstrate any mismatch, inasmuch as it has focused solely upon the assignment of *costs* and not addressed the treatment of the corresponding revenues. The Commission thus has no basis to evaluate the validity or importance of criticisms such as this one, when the RBOCs, which have by far the best access to the underlying information, present only their contentions but with no facts or specitics to back them up.

72. *Secondary and tertiary expenses*: Finally, Qwcst complains that because carriers are rcquircd to assign secondary and tertiary expenses in proportion to the primary investments assigned to a category, any potential underallocation of primary investments to special access would be exaccrhatcd. However, this is merely another theoretical argument. As discussed above, the RBOCs havc simply not established that primary investments are not being properly assigned to the special access category. Moreover, the magnitude of these secondary and tertiary expenses is simply not large enough to offset to any significant extent the RBOCs' substantial overearning for the special access services.

73. It is also worth recalling that ARMIS costs are embedded costs, which are generally higher than forward-looking incremental costs (i.e., TELRIC). If forward-looking costs of

123. Qwest Comments, at 12

special access were substituted for the embedded costs from ARMIS, the resulting rates of return on forward-looking investment levels would be even higher.

74. In fact, while the RBOCs' service examples fail to show that ARMIS underallocates costs to special access services (or overstates the appropriate revenues), historical experience and costing trends actually support precisely the opposite conclusion. The RBOCs have a poor track record for maintaining accurate records of their network investments, particularly as to the removal of plant no longer in service. The Commission's 1999 audit reports of RBOCs' continuing property records found that these carriers could not account for approximately $5-billion in central office equipment that remained on their books.[124] If similar record-keeping practices exist with respect to special access investments, it is likely that the RBOCs' regulatory books of account also include costs for facilities that are no longer in service. The continuing property records audits also dcnionstrated that the nature of the record-keeping errors was consistcntly biased toward *including* items that should have been excluded, rather than the other way around. Accordingly, it is far more likely that the embedded investment costs recorded in ARMIS represent an ***overstatement*** of actual plant in service, thereby further contributing to the highly conservative character of the Friedlander ROR figures.

75. The consistent upward trend in the RBOCs' rates of return for special access also tends to belie their objections regarding the reliability of the ARMIS data. Even if there are allocation errors in AKMIS, the RBOCs have offered no evidence to suggest that whatever misallocations might actually be present, if any. are anything other than consistent from year to year. The presence of any systematic bias in the data may impact the accuracy of individual data points,

124. *1998 Biennial Regulatory Review - Review of Depreciation Requirements for Incumbent Local* **Exchange** *Carriers;* ***Ameritech Corporation Telephone Operating Companies' Continuing Property*** *Records* ***Audit, et.*** *al., GTE Telephone* ***Operating*** *Companies* ***Release of Information*** *Obtained During Joint Audit*, CC Dockets 98-137 and 99-117, **AAD** File No. 98-26, released April 3, 2000, **FCC** 00-119, at para. 15.

but as long as the misallocation bias is systematic over lime, the trends revealed through an examination ot multiple years' results will still provide an accurate picture of ongoing market dynamics. Although there is inevitably some subjectivity involved in allocating costs that cannot be directly assigned, the methodology itself, and hence the resulting allocations, do not fluctuate significantly from year to year. 'Thus. if competition for special access services were actually constraining prices as the RBOCs contend, the ROR for special access would tend to decrease over time. But in fact it is actually *increasing*, suggesting not only that price-constraining competition is not present, but that the rxtent of ongoing KROC market power with respect to these services is growing.

76. Finally, suddenly *relying* upon **ARMIS** data, Kahn and Taylor have contended that the average revenue per line for special access has actually been decreasing "by more than 1% per year" during the 1996-2001 pcriod. My own review of thc data suggests errors in the Kahn/Taylor analysis. Based upon replicable ARMIS data, the average revenue per line, decreased by only two-tenths of one percent over the entire pcriod (a reduction in average annual rcvcnue per line of only $0.33). **As I** will discuss in more detail below, use of an average annual revenue per line calculated using DS-O equivalents is seriously tlawed, but even accepting the tlawed Kahn/Taylor evidence, the data proves, rather than disproves AT&T's allegations. **At** page 16 of the Kahn/Taylor declaration, a figure appears entitled "KBOC Special Access Revenue per Special Access Line". Even *a* cursory review ***of*** that Figure reveals declining revenue per line amounts occurred during the period 1997-2000 — when the special access rates were still generally subject to price caps and the x-factor-driven annual reductions associated therewith — and that there has been a total reversal **of** that trend (recouping virtually all of the reductions during the prior four years) in the RBOCs' revenues for 2001 — the tirst full year during which any of the RBOCs had pricing flexibility for Special Access Services."[125]

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125. BellSouth, the tirst RROC to apply for and be granted pricing flexibility, approved
(continued...)

77. Moreover, assuming (as Kahn and Taylor do) for sake of argument that the analysis of an average "revenue" per line based upon DS-0 equivalents has any validity, then one should he able to examine the average "investment" and average "expense" per line as well. As Table 14 below reveals, during the 1996 to 2001 period in which average revenue per line declined by only two tenths of percent, average investment and average expense per line each declined hy almost half. Review of those "average" per line results for those three categories more than proves AT&T's initial point. During the 1996 to 2001 period, while the average revenue per line dropped only $0.33 from $157.00 to $156.67, the average expense per line dropped by $59.78, from $123.33 *to* $63.55, and the average investment per line dropped by $103.45, from $257.50 to $154.05. Overall, the results demonstrate that by 2001, the net return, per US-0 equivalent access line had climbed by more than 185%, from the $20.79 of 1996, to $57.76.

Table 14

Interstate Special Access Costs and Revenues
RBOC Totals (Including GTE)

	1996	1997	1998	1999	2000	2001	Change 1996-2001
(a) Revenues (000)	$3,464,545	$4,312,543	$5,536,133	$7,141,094	$9,591,843	$12,450,913	259.4%
(b) Expenses (000)	$2,721,599	$3,275,870	$3,404,629	$3,988,276	$4780.293	$5,050,329	85.6%
(c) Net investment (000)	$5,682,447	$6,373,074	$7,149,582	$8,440,569	$10,462,621	$12,242,494	115.4%
(d) Net return	$445,552	817.253	$1,279,675	$1,906,740	$2,967,064	$4590.506	930.3%
(e) Rate of Return (d/c)	7.8%	9.7%	17.9%	22.6%	28.4%	37.5%	378.2%
(f) Special Access Lines	22,067,774	26,260,133	33,999,156	48,708,169	65,451,767	79,470,270	260.1%
(g) Revenues per line (a/f)	$157.00	$164.22	$162 83	$146.61	$146.55	$156.67	-0.2%
(h) Expenses per line (b/f)	$123.33	5124.75	$100.14	$81.88	$73.04	$63.55	-48.5%
(I) Investment per line (c/f)	$257.50	$242.69	$210.29	$173.29	$159.85	$154 05	-40.2%
(j) Net return per tine (d/f)	$20.19	$23.51	$37.64	$39 15	$45.33	$57 76	186.1%

Sources of data.
Financial data from ARMIS 43-01, Column *S*, Rows 1090, 1190, 1910, 1915, and 1920.
Lines are counted in terms of voice-grade equivalents, from ARMIS 43-08, row 910, columns K and L.

125. (...continued)
authority at the end of 2000 BellSouth Petition for Pricing Flexibility for Special Access and Dedicated Transport Services, CCB/CPD No. 00-20, Memorandum Opinion and Order, 15 FCC Rcd 24588, (Dec. 15,2000)

78. Moreover, translating ARMIS data into DS-0 equivalent lilies, as Kahn and Taylor have done, results in a flawed analysis. It is highly likely that the higher-capacity special access services, at the DS-3 and OCn levels, have experienced disproportionately greater growth than low-capacity DS-0 and DS-1 services. Since the effective price per DS-0 equivalent channel is lower in these higher capacity services, their likely disproportionate growth readily explains the apparent drop in DS-0 equivalent price levels (revenue per line). The more appropriate comparison, of course, is a like-for-like price change for the *same* capacity service. And as Tables 1 through 4 above clearly demonstrate, those prices in areas subject to Phase II pricing flexibility have been on the rise over the period since pricing flexibility became effective.

Performance data reported under ARMIS shows continuing problems in special access service quality.

79. Finally. in their declaration, Kahn and Taylor take issue with AT&T's observation that the RBOCs are not being constrained by competition to improve the quality of their special access services provisioning."[126] In particular, they claim that ARMIS data show a steady improvement in RBOC special access service provisioning between 1996 and 2001. Kahn and Taylor's analysis appears to be based on trouble reports per voice grade equivalent line, which means that the successful provisioning of an order involving one OCn circuit offsets many unsuccessful provisioning of lower bandwidth special access lines. A more realistic picture can be obtained by looking at trouble reports for special access service based on the "total number of orders or circuits," as shown in ARMIS report 43-05. When these data is analyzed, the picture of consistent improvement presented by Kahn and Taylor evaporates. As shown in the attached table (Attachment 2 to this Declaration). some RBOCs have done better than others. However, Ameritech, which reports by far the best performance, reports an anomalously high number of "orders or circuits" for the 2000 to 2001 period (three to four times as many as in the four prior

126. Kahn/Taylor Decl., at 16-17.

years), which could account, at least in part, for the apparent improvement in its trouble report percentages. Without these recent Ameritech numbers: RBOC trouble reports as a percentage of orders or circuits rose substantially from 1998 to 2001. In any event, even a consistent record of having trouble reports on more than half of all orders is hardly a commendable performance and is consistent with the conclusion presented by Ordover and Willig that the RBOCs are not constrained by competitive forces with respect to their service quality for special access services.

The foregoing statements are true and correct to the best of my knowledge, information and belief.

LEE L. SELWYN

Attachment [redacted]

Statement of Qualifications

Statement of Qualifications

DR. LEE L. SELWYN

Dr. Lee L. Selwyn has been actively involved in the telecommunications field for more than twenty-five years, and is an internationally recognized authority on telecommunications regulation, economics and public policy. Dr. Selwyn founded the firm of Economics and Technology, Inc. in 1972, and has served as its President since that date. He received his Ph.D. degree from the Alfred P. Sloan School of Management at the Massachusetts Institute of Technology. He also holds a Master of Science degree in Industrial Management from MIT and a Bachelor of Arts degree with honors in Economics from Queens College of the City University of New York.

Dr. Selwyn has testified as an expert on rate design, service cost analysis, form of regulation, and other telecommunications policy issues in telecommunications regulatory proceedings before some forty state commissions, the Federal Communications Commission and the Canadian Radio-television and Telecommunications Commission, among others. He has appeared as a witness on behalf of commercial organizations, non-profit institutions, as well as local, state and federal government authorities responsible for telecommunications regulation and consumer advocacy.

He has served or is now serving as a consultant to numerous state utilities commissions including those in Arizona, Minnesota, Kansas, Kentucky, the District of Columbia, Connecticut. California, Delaware, Maine, Massachusetts, New Hampshire, Vermont, New Mexico, Wisconsin and Washington State, the Office of Telecommunications Policy (Executive Office of the President), the National Telecommunications and Information Administration, the Federal Communications Commission, the Canadian Radio-television and Telecommunications Commission, the United Kingdom Office of Telecommunications, and the Secretaria de Comunicaciones y Transportes of the Republic of Mexico. He has also served as an advisor on telecommunications regulatory matters to the International Communications Association and the Ad Hoc Telecommunications Users Committee, as well as to a number of major corporate telecommunications users, information scrviccs providers, paging and cellular carriers, and specialized access services carriers.

Dr. Sclwyn har presented testimony as an invited witness before the U.S. House of Representatives Subcommittee on Telecommunications, Consumer Protection and Finance and before the U.S. Senate Judiciary Committee, on subjects dealing with restructuring and deregulation of poitions of the telecommunications industry.

In 1970, he was awarded a Post-Doctoral Research Grant in Public Utility Economics under a program sponsored by the American Telephone and Telegraph Company, to conduct research on the economic effects of telephone rate structures upon the computer time sharing industry. This work was conducted at Harvard University's Program on Technology and Society, where he was appointed as a Research Associate. Dr. Selwyn was also a member of the faculty at the College of Business Administration at Boston University from 1968 until 1973, where he taught courses in economics, finance and management information systems.

Dr. Selwyn has published nuincrous papers and articles in professional and trade journals on the subject of telecommunications scrvicc regulation, cost methodology, rate design and pricing policy. Thcac have included:

> **"Taxes,** Corporate Financial Policy and Return to Investors"
> *National Tax Journal*, Vol. XX, No.4, December 1967.
>
> "Pricing Telephone Terminal Equipment Under Competition"
> *Public Utilities Fortnightly*, December *8*, IY77.
>
> "Deregulation, Compelition, and Regulatory Responsibility in the Telecommunications Industry"
> ***Presented at rhe 1979 Rate Symposium on Problems of Regulated Industries** - Sponsored **by: The American University, Foster Associates, Inc., Missouri** Public **Service Commission, University** of **Missouri-Columbia.*** Kansas City, MO, February 11 - 14, 1979.
>
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>
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> *Telephony*, January 7, 28, February 11, 1980.
>
> "Perspectives on Usage-Sensiiive Pricing"
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>
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> *Comments **Presented** at the **Thirteenth Annual Conference of the Institute** of Public Utilities*, Williamsburg, VA - December 14 - 16, 1981.
>
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>
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Dr. Selwyn has been an invited speaker at numerous seminars and conferences on telecommunications regulation and policy, including meetings and workshops sponsored by the National Telecommunications and Information Administration, the National Association of Regulatory Utility Commissioners, the U.S. General Services Administration, the Institute of Public Utilities at Michigan State University, the National Regulatory Research Institute at Ohio State University, the Harvard University Program on Information Resources Policy, the Columbia University Institute for Tele-Information, the International Communications Association, the Tele-Communications Association, the Western Conference of Public Service Commissioners, at the New England, Mid-America, Southern and Western regional PUC/PSC conferences, as well as at numerous conferences and workshops sponsored by individual regulatory agencies.

Attachment 2

Installation and Repair Intervals (Interexchange Access) — Annual

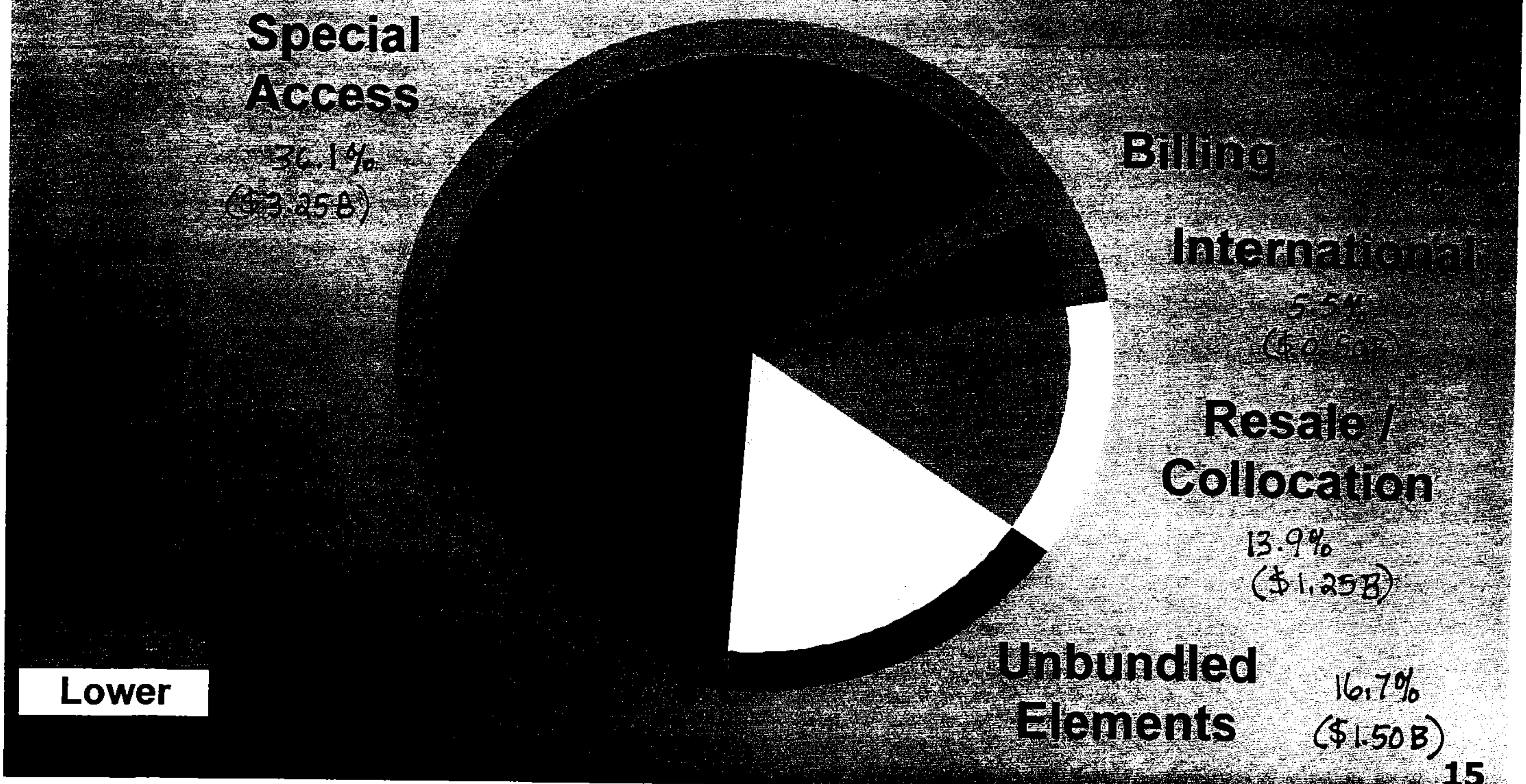
43 05 Table Ia Installation and Repair Intervals (Interexchange Acc) - Annual

Company Name	Row Title	All Special Access					
		1996	1997	1998	1999	2000	2001
BELLSOUTH	# Total Number of Orders or Circuits	86,000	106,649	145,185	127,801	178,631	194,276
BELLSOUTH	# Missed for Customer Reasons (MCR)		0	34,981	28,175	34,877	41,854
BELLSOUTH	% Commitments Met	89.18	88.46	85.14	85.12	89.66	96.27
BELLSOUTH	Average Interval (in days)	13.2	14	14.8	15.9	16.3	17.5
BELLSOUTH	# Total Trouble Reports	68,849	69,643	77,198	80,155	97,705	130,805
BELLSOUTH	% Trouble Reports	80%	65%	53%	63%	55%	67%
BELLSOUTH	Average Interval (in hours)	3.3	3.3	3.7	4.4	4.6	3.4
QWEST	# Total Number of Orders or Circuits	99,884	162,381	212,043	178,794	178,187	129,566
QWEST	# Missed for Customer Reasons (MCR)		0	27,537	70,210	87,796	60,660
QWEST	% Commitments Met	79.51	81.94	88.65	83.97	90.71	95.03
QWEST	Average Interval (in days)	14.2	20.8	22.8	23.6	21.9	15.4
QWEST	# Total Trouble Reports	89,302	96,531	95,603	111,773	120,439	120,756
QWEST	% Trouble Reports	89%	59%	45%	63%	68%	93%
QWEST	Average Interval (in hours)	5.2	3.4	4.6	4.4	3.4	2.7
SOUTHWESTERN	# Total Number of Orders or Circuits	50,727	62,966	56,419	43,594	34,917	136,614
SOUTHWESTERN	# Missed for Customer Reasons (MCR)		0	9,004	8,975	7,200	22,784
SOUTHWESTERN	% Commitments Met	80.9	80.1	97.41	97.02	94.32	86.84
SOUTHWESTERN	Average Interval (in days)	0	0	0	0	0	13.9
SOUTHWESTERN	# Total Trouble Reports	68,576	65,514	93,092	91,822	122,473	151,224
SOUTHWESTERN	% Trouble Reports	135%	104%	165%	211%	351%	111%
SOUTHWESTERN	Average Interval (in hours)	2.1	2.1	2.2	2.7	2.6	4.7
PACIFIC TELESIS	# Total Number of Orders or Circuits	58,419	66,370	59,142	135,676	80,737	90,032
PACIFIC TELESIS	# Missed for Customer Reasons (MCR)		0	15,127	24,078	16,795	13,895
PACIFIC TELESIS	% Commitments Met	93.63	89.4	89.31	74.68	69.53	74.63
PACIFIC TELESIS	Average Interval (in days)	22.6	20.8	20.1	22.3	37.3	20.7
PACIFIC TELESIS	# Total Trouble Reports	63,809	46,055	26,488	104,420	59,015	69,134
PACIFIC TELESIS	% Trouble Reports	109%	69%	45%	77%	73%	77%
PACIFIC TELESIS	Average Interval (in hours)	4.7	5	4.6	4.3	4.5	3.9
AMERITECH	# Total Number of Orders or Circuits	73,555	80,653	113,889	132,578	544,774	612,019
AMERITECH	# Missed for Customer Reasons (MCR)			21,919	20,257	36,386	26,294
AMERITECH	% Commitments Met	87.9	92.5	93.91	93.61	88.01	92.18
AMERITECH	Average Interval (in days)	19	13.1	14.6	15.7	15.6	15.3
AMERITECH	# Total Trouble Reports	41,196	40,314	40,907	31,548	28,633	64,533
AMERITECH	% Trouble Reports	56%	50%	36%	24%	5%	11%
AMERITECH	Average Interval (in hours)	3.7	3.1	3.1	3	2.9	5.8
BELL ATLANTIC	# Total Number of Orders or Circuits	73,660	246,767	236,655	208,399	206,146	207,098
BELL ATLANTIC	# Missed for Customer Reasons (MCR)		12,090	53,606	50,338	48,357	49,028
BELL ATLANTIC	% Commitments Met	77.53	96.53	94.45	84.71	82	81.19
BELL ATLANTIC	Average Interval (in days)	29.2	13	20.5	17.7	23.6	15.6
BELL ATLANTIC	# Total Trouble Reports	22,293	113,267	80,461	94,454	89,218	142,218
BELL ATLANTIC	% Trouble Reports	30%	46%	34%	45%	43%	69%
BELL ATLANTIC	Average Interval (in hours)	10.7	2.6	2.8	4.1	5.1	6
GTE CORP.	# Total Number of Orders or Circuits	57,376	60,495	47,972	56,157	65,916	83,314
GTE CORP.	# Missed for Customer Reasons (MCR)		0	16,980	28,706	22,049	13,214
GTE CORP.	% Commitments Met	92.26	89.7	89.55	90.26	84.35	96.01
GTE CORP.	Average Interval (in days)	11.52	13	21.1	21.3	28.3	22.7
GTE CORP.	# Total Trouble Reports	67,702	70,406	75,550	79,870	81,840	124,714
GTE CORP.	% Trouble Reports	118%	116%	157%	142%	124%	150%
GTE CORP.	Average Interval (in hours)	9	7	7.9	8.4	10.2	9.2
TOTAL RBOC	**# Total Number of Orders or Circuits**	**499,621**	**786,281**	**871,305**	**882,999**	**1,289,308**	**1,452,919**
TOTAL RBOC	**# Special Access Lines**	**22,067,774**	**26,260,133**	**33,999,156**	**48,708,169**	**65,451,767**	**79,470,270**
TOTAL RBOC	**# Total Trouble Reports**	**421,727**	**501,730**	**489,299**	**594,042**	**599,323**	**803,384**
TOTAL RBOC	**% Trouble Reports/Orders or Circuits**	**84%**	**64%**	**56%**	**67%**	**46%**	**55%**
TOTAL RBOC	% Trouble Reports/Lines	1.91%	1.91%	1.44%	1.22%	0.92%	1.01%
TOTAL RBOC WITHOUT AMERITECH:							
	# Total Number of Orders or Circuits	**426,066**	**705,628**	**757,416**	**750,421**	**744,534**	**840,900**
	# Total Trouble Reports	**380,531**	**461,416**	**448,392**	**562,494**	**570,690**	**738,851**
	% Trouble Reports	**89%**	**65%**	**59%**	**75%**	**77%**	**88%**

ATTACHMENT 3

Wholesale Revenue

Over $9B in 2002 revenue



ATTACHMENT 4

MSAs With Full Pricing Flexibility for Special Access (Phase II Flexibility)

AKRON OH
ALBUQUERQUE NM
ANCHORAGE AK
AUSTIN-SAN MARCOS TX
BELLINGHAM WA
BINGHAMTON NY
BOISE CITY ID
CHAMPAIGN-URBANA IL
CHARLESTON WV
COLORADO SPRINGS CO
CORPUS CHRISTI TX
DAVENPORT-MOLINE-ROCK ISLAND (IA-IL) - IA
DECATUR IL
DES MOINES IA
DOVER DE
DUBUQUE IA
EUGENE-SPRINGFIELD OR
FARGO-MOORHEAD (ND-MN) - MN
FARGO-MOORHEAD (ND-MN) - ND
[illegible]
FORT WAYNE IN
GRAND RAPIDS-MUSKEGON-HOLLND MI
HAGERSTOWN MD
HOUSTON TX
IOWA CITY (IA)
KANSAS CITY (MO-KS) - KS
KANSAS CITY (MO-KS) - MO
LITTLE ROCK-NORTH LITTLE ROCK AR
LYNCHBURG (VA)
MADISON WI
MEDFORD-ASHLAND OR
MEDFORD-ASHLAND (OR)
MILWAUKEE-WAUKESHA WI
NEWARK NJ
NORFOLK-VIRGINIA BEACH-NEWPORT NEWS (VA-NC) - VA
OKLAHOMA CITY OK
OLYMPIA WA
OMAHA (NE-IA) - NE
OMAHA (NE-IA) - IA
PARKERSBURG-MARIETTA (WV-OH) - WV
PHOENIX-MESA AZ
PORTLAND-VANCOUVER (OR-WA) - WA
PORTLAND-VANCOUVER (OR-WA) - OR
READING (PA)
RICHMOND-PETERSBURG VA
ROANOKE (VA)
ROCHESTER (MN)
ROCKFORD (IL)
SALT LAKE CITY-OGDEN UT
SAN ANGELO (TX)
SAN ANTONIO TX
SAN JOSE CA
SPOKANE WA
SPRINGFIELD IL
ST. CLOUD (MN)
ST. LOUIS (MO-IL) - MO
STAMFORD-NORWALK CT
TOPEKA KS
TULSA (OK)
VINELAND-MILLVILLE-BRIDGETON (NJ)
WILLIAMSPORT PA
WILMINGTON-NEWARK (DE-MD) - DE
WILMINGTON-NEWARK (DE-MD) - MD
YAKIMA (WA)

MSAs with Partial Pricing Flexibility for Special Access (Phase I)

ALBANY-SCHENECTADY-TROY NY
ALLENTOWN-BETHLEHEM-EASTON PA
ALTOONA(PA)
AMARILLO TX
ATLANTA GA
BALTIMORE MD
BATON ROUGE(LA)
BILOXI-GULFPORT-PASCAGOULA(MS)
BOSTON (MA-NH) - MA
BOSTON(MA-NH) - NH
BRIDGEPORT CT
BUFFALO-NIAGARA FALLS NY
BURLINGTON(VT)
CHARLOTTE-GASTONIA-ROCK HILL (NC-SC) -NC
CHATTANOOGA (TN-GA) -TN
CHICAGO IL
CINCINNATI (OH-KY-IN) - OH
COLUMBUS OH
DALLAS TX
DAYTONA BEACH(FL)
DAYTON-SPRINGFIELD OH
DENVER CO
DETROIT MI

ERIE(PA)
EVANSVILLE-HENDERSON(IN-KY)- IN
FORT COLLINS-LOVELAND(CO)
FORT WORTH-ARLINGTON TX
GAINESVILLE FL
GREELEY(CO)
GREENSBORO--WINSTON-SALEM--HIGH POINT NC
HARRISBURG-LEBANON-CARLISLEIPA)
HARTFORD CT
HONOLULU HI
HUNTINGTON-ASHLAND(WV-KY-OH) - WV
INDIANAPOLIS IN
JACKSON(MS)
JACKSONVILLE FL
KALAMAZOO-BATTLE CREEK MI
KNOXVILLE TN
LAKE CHARLES(LA)
LAKELAND-WINTER HAVEN FL
LANCASTER(PA)
LOS ANGELES-LONG BEACH CA
LOUISVILLE (KY-IN) -KY
LUBBOCK(TX)
MANCHESTER (NH) -NH

MELBOURNE-TITUSVILLE-PALM BAY FL
MEMPHIS (TN-AR-MS)- TN
MIAMI FL
MINNEAPOLIS-ST PAUL (MN-WI) - MN
MONROE(LA)
MONTGOMERY(AL)
NASHVILLE TN
NEW YORK NY
NORFOLK-VIRGINIA BEACH-NEWPORT NEWS(VA-NC) NC
ORLANDO FL
PENSACOLA(FL)
PHILADELPHIA (PA-NJ) - NJ
PHILADELPHIA (PA-NJ) -PA
PITTSBURGH PA
PORTLAND(ME)
PORTSMOUTH-ROCHESTER (NH-ME) -NH
PORTSMOUTH-ROCHESTER(NH-ME) - ME
PROVIDENCE-FALL RIVER-WARWICK(RI-MA) - RI
PROVO-OREM UT
PUEBLO(CO)
RALEIGH-DURHAM-CHAPEL HILL(NC)
SACRAMENTOCA
SALEM OR

MSAs with Partial Pricing Flexibility for Special Access (Phase I)

SAN DIEGO CA
SAN FRANCISCO CA
SANTA BARBARA-SANTA MARIA-LOMPOC(CA)
SARASOTA-BRADENTON FL
SAVANNAH(GA)
SCRANTON--WILKES-BARRE--HAZLETON(PA)
SEATTLE-BELLEVUE-EVERETT WA
SHREVEPORT-BOSSIER CITY(LA)
SIOUX CITY IA-NE
SIOUX CITY(IA-NE) - NE
SPRINGFIELD MA
SPRINGFIELD MO
STATE COLLEGE(PA)
SYRACUSE(NY)
TACOMA WA
TAMPA-ST. PETERSBURG-CLEARWATER FL
TOLEDO OH
TUCSON AZ
WASHINGTON (DC-MD-VA-WV) - VA
WASHINGTON (DC-MD-VA-WV) - MD
WASHINGTON DC-MD-VA-WV - DC PROPER
WATERLOO-CEDAR FALLS(IA)
WEST PALM BEACH-BOCA RATON FL
WILMINGTON NC
WORCESTER(MA-CT) - MA

MSAs Without Pricing Flexibility

KENOSHA WI
KILLEEN-TEMPLE(TX)
KOKOMO(IN)
LA CROSSE(WI-MN)
LAFAYETTE LA
LAFAYETTE(IN)
LANSING-EAST LANSING MI
LAREDO(TX)
LAS CRUCES(NM)
LAS VEGAS NV-AZ
LAWRENCE MA-NH
LAWRENCE(KS)
LAWTON(OK)
LEWISTON-AUBURN(ME)
LEXINGTON KY
LIMA OH
LINCOLN(NE)
LONGVIEW-MARSHALL TX
LOUISVILLE(KY-IN)
LOWELL MA-NH
MACON GA
MANSFIELD(OH)
MCALLEN-EDINBURG-MISSION(TX)
MEMPHIS TN-AR-MS
MERCED(CA)
MIDDLESEX-SOMERSET-HUNTERDON NJ
MINNEAPOLIS-ST. PAUL(MN-WI)
MOBILE AL
MODEST0 CA
MONMOUTH-OCEAN NJ
MUNCIE(IN)
MYRTLE BEACH(SC)
NAPLES(FL)
NASHUA NH
NASSAU-SUFFOLK NY
NEW BEDFORD(MA)
NEW HAVEN-MERIDEN CT
NEW LONDON-NORWICH(CT-RI)
NEW ORLEANS(LA)
NEWBURGH(NY-PA)
OAKLAND CA

OCALA(FL)
ODESSA-MIDLAND(TX)
ORANGE COUNTY CA
OWENSBORO(KY)
PANAMA CITY(FL)
PARKERSBURG-MARIETTA(WV-OH)
PEORIA-PEKIN(IL)
PINE BLUFF(AR)
PITTSFIELD(MA)
POCATELLO(ID)
PROVIDENCE-FALL RIVER-WARWICK(RI-MA)
PUNTA GORDA(FL)
RACINE WI
RAPID CITY(SD)
REDDING(CA)
RENO NV
RICHLAND-KENNEWICK-PASCO(WA)
RIVERSIDE-SAN BERNARDINO CA
ROCHESTER NY
ROCKY MOUNT(NC)
SAGINAW-BAY CITY-MIDLAND MI
SALEM(OR)
SALINAS CA
SAN LUIS OBISPO-ATASCADERO-PASO ROBLES(CA)
SANTA CRUZ-WATSONVILLE(CA)
SANTA FE(NM)
SANTA ROSA CA
SAVANNAH(GA)
SHARON(PA)
SHEBOYGAN(WI)
SHERMAN-DENISON(TX)
SIOUX CITY(IA-NE)
SIOUX FALLS(SD)
SOUTH BEND IN
SPOKANE(WA)
ST. JOSEPH(MO)
ST. LOUIS MO-IL
STEUBENVILLE-WEIRTON OH-WV
STOCKTON-LODI CA
SUMTER(SC)
TALLAHASSEE FL

TERRE HAUTE IN
TEXARKANA(TX-AR)
TRENTON NJ
TUSCALOOSA(AL)
TYLER(TX)
UTICA-ROME(NY)
VALLEJO-FAIRFIELD-NAPA CA
VENTURA(CA)

VICTORIA(TX)
VISALIA-TULARE-PORTERVILLE(CA)
WACO TX
WASHINGTON(DC-MD-VA-WV)
WATERBURY CT
WAUSAU(WI)
WHEELING WV-OH
WICHITA FALLS(TX)
WICHITA KS
YOLO(CA)
YORK(PA)
YOUNGSTOWN-WARREN OH
YUBA CITY(CA)
YUMA(AZ)